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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In Re: §
HOACTZIN PARTNERS, L.P., § Case No. 19-33545-sgj7
§
Debtor. §

**TRUSTEE'S MOTION FOR AUTHORITY TO SEND
LETTERS TO U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF OCEAN ENERGY MANAGEMENT, AND
BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT**

Anne Elizabeth Burns (“Trustee”), Chapter 7 Trustee, moves the Court to enter an order authorizing her to send letters to the U.S. Department of the Interior (“DOI”), the Bureau of Ocean Energy Management (“BOEM”), and the Bureau of Safety and Environmental Enforcement (“BSEE”) regarding the inability of this bankruptcy estate to meet the obligations of Hoactzin Partners, L.P. (the “Debtor”) regarding the plugging, abandonment, and decommissioning of certain wells, pipelines, and platforms located in the Gulf of Mexico on four leases that the Debtor operated prior to its bankruptcy. Specifically, the Trustee seeks authority to send the following correspondence:

1. Letter to BOEM and DOI regarding lease defaults (the “BOEM Letter” - **Exhibit 1**).

The purpose of the BOEM Letter is to notify BOEM and the DOI that the Estate does not have sufficient resources to undertake any decommissioning obligations of the Debtor with respect to all leases in which the Debtor is a working interest owner. The Trustee understands that the BOEM Letter will trigger a formal default of the leases so that BOEM and the DOI can take appropriate action, including possibly making a claim on the Debtor’s surety bonds for the decommissioning work to be done.

2. Notice to BOEM regarding RUEs (the “BOEM Notice” - **Exhibit 2**). The purpose of the BOEM Notice is to notify BOEM that four Right of Use Easements (“RUEs”) are not in use. The Trustee understands that this notification will trigger BOEM’s termination of the RUEs, which is a necessary predicate for complete cleanup.

3. Notice to BSEE regarding ROWs (the “BSEE Notice” - **Exhibit 3**). The purpose of the BSEE Notice is to notify BSEE that three Right of Way pipelines (“ROWS”) are not in use. The Trustee understands that this notification will trigger BSEE’s expiration of the ROWs, which also is a necessary predicate for complete cleanup.

Background

4. This case was filed as a voluntary chapter 11 case on October 26, 2019.

5. The Debtor owns a working interest in four leases in the Gulf of Mexico (the “Leases”). The Debtor is also the operator of the Leases. The Leases contain various pipeline segments, plugged wells, and platforms. None of the Leases were producing when the case was filed.

6. Although the Debtor immediately sought authority to incur debt in order to fund obligations including insurance, a surety bond required by the U.S. government, and

maintenance of the wells and platforms on the Leases, the Debtor never received all of the financing it needed from its proposed lender: Dolphin Direct Equity Partners, LP, and/or its sole principal Peter E. Salas.¹

7. This conundrum was the reason for the United States Trustee's Motion to Convert or Dismiss filed November 27, 2019 [Docket No. 47] and, ultimately, the conversion of the case to chapter 7 on February 12, 2020 [Docket No. 78].

8. On February 24, 2020, the Trustee filed her Motion to Dismiss Case or, in the alternative, for Authority to Operate Business [Docket Nos. 82 & 83] (the "Motion to Dismiss"). The Court held a hearing on February 26 and entered an order granting the Trustee operating authority for a period of six months [Docket No. 93]. The Court has received updates from the Trustee at continued settings on the Motion to Dismiss on March 12 and April 2, and the Motion to Dismiss is next set for hearing on April 23.

9. Although the Trustee has been successful in bringing all current working interest owners to the table to discuss the decommissioning obligations for the Leases, one constant issue has remained problematic: lack of funding for the Debtor's share of the cost.

10. The Trustee has less than \$5,000.00 in cash on hand. The Estate cannot pay vendors to coordinate mandatory inspections, which the Trustee understands have not occurred at the Leases since November, much less pay the Debtor's portion of the cost to decommission the wells, pipelines, and platforms, which is estimated to be at least \$7.9 million.

Requested Relief

11. If this case is not dismissed on April 23, the Trustee requests authority to send the letters attached hereto as Exhibits 1-3 so that the appropriate governmental departments can be

¹ Dolphin Direct Equity Partners, LP (or its equity owner, Peter Salas) apparently funded the Debtor's surety bond premiums and liability insurance prior to conversion; the funds did not come through the estate. The Trustee understands that Mr. Salas personally guaranteed the Debtor's liability under the surety bond.

formally notified that the ROWs and RUEs associated with the Debtor's Leases are no longer in use and that the Estate does not have the financial ability to meet the Debtor's obligations under the Leases.

The Trustee therefore prays that this Court authorize the Trustee to send the attached letters and grant the Trustee such other and further relief as the Court may deem appropriate.

Respectfully submitted,

/s/ Charles B. Hendricks
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